



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Business Bank NA

Person to be contacted regarding this report:	William Roche
CPP Funds Received:	\$4,243,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	4/10/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	57044
City:	San Diego
State:	California

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	First Business Bank's loans outstanding were relatively flat over the period CPP capital was held in 2009. However, the bank did sell \$4.9 million in loans in December 2009, and adjusting for this transaction, total loans outstanding would have increased 5.6% for the period.
---	--

<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	The business client is our core customer. Our portfolio of commercial real estate loans increased \$6.1 million and 10.6% for the portion of the year CPP capital was held.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Our portfolio of residential mortgage backed securities increased \$3.1 million in the period CPP funds were held in 2009.
<input checked="" type="checkbox"/>	Make other investments	The CPP capital allowed First Business Bank to support the liquidity needs of a prospective merger candidate through much of 2009.
<input type="checkbox"/>	Increase reserves for non-performing assets	No changes were made to the bank's portfolio management practices as the result of accepting CPP capital.

<input type="checkbox"/>	Reduce borrowings	The Bank did not retire debt with CPP capital proceeds.
<input type="checkbox"/>	Increase charge-offs	No changes were made to the bank's portfolio management practices as the result of accepting CPP capital.
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	First Business Bank analyzed several merger candidates in 2009 and entered a definitive agreement with another San Diego institution in July. Although that transaction did not close, First Business Bank acquired \$6.6 million in real estate loans from that bank in December 2009.
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	To some extent, the CPP capital was retained non-leveraged to improve the bank's capability to consummate a merger transaction.

What actions were you able to avoid because of the capital infusion of CPP funds?

The capital from the CPP program allowed First Business Bank to maintain marketing and sales efforts for loan generation at an ambitious pace in 2009. The additional capital cushion alleviated any risk avoidance strategies that may have been considered as a capital preservation action without the CPP.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The capital from the CPP program placed First Business Bank into an exceptionally strong position to pursue the acquisition of another institution in 2009. Our intended partner was weakened by economic conditions and our combination may have strengthened the local industry and banking system as a whole.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

The CPP capital gives First Business Bank additional flexibility in dealing with borrowers suffering from economic problems. We have greater ability to negotiate payment plans and work-out strategies with these borrowers.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.